1. *What is a Flow of Funds?*

The Flow of Funds (FOF) is part of the System of National Accounts (SNA), which presents the financial transactions among the different sectors of the economy, and between these sectors and the rest of the world (ROW). The FOF also shows the various financial instruments in which sectors transact with each other. More importantly, the FOF identifies which sectors are net borrowers and net lenders in the series of transactions.

2. *How are the domestic sectors categorized?*

Domestic sectors are grouped into the following:

- Financial corporations – consist of: (i) depository corporations including the Bangko Sentral ng Pilipinas (BSP) commercial, universal, thrift and rural banks, non-stock savings and loan associations (NSSLAs), non-banks with quasi-banking functions (NBQBs) and other deposit-taking institutions; and (ii) other financial corporations including the private and public insurance companies, pre-need companies, and other financial institutions that are either affiliates or subsidiaries of the banks that are supervised by the BSP (i.e., investment houses/companies, financing companies, credit card companies, securities dealers/brokers and trust institutions), pawnshops, government financial institutions and the rest of private other financial corporations that are supervised by the Securities and Exchange Commission (SEC).

- Non-financial corporations – consist of both public and private enterprises principally engaged in the production of market goods and non-financial services such as in agriculture, manufacturing, construction, education, real estate activities and information and communication services.

- General government – consists of the National Government (NG, including Central Bank-Board of Liquidators or CB-BOL), Local Government Units (LGUs), and Social Security Agencies (SSAs).

- Households – include all resident households both as consumers and as entrepreneurs of household-based businesses such as sari-sari stores and farm operations; also included are non-profit institutions serving households (NPISH), such as consumers' associations, churches or religious societies, and social, cultural, recreational or sports clubs.

3. *How is the ROW treated in the FOF?*

The ROW is treated as one separate institutional sector. A consolidation of net borrowings of all domestic institutions should result in net lending by ROW. Simply stated, when the ROW is a net lender, the domestic economy is a net borrower and vice versa.

4. *How are economic transactions presented in the FOF?*

There are two main sections in the FOF:

- The capital account records transactions linked to acquisition of non-financial assets and capital transfers involving the redistribution of wealth. It is measured as savings plus net capital transfers less fixed capital formation (i.e., acquisitions less disposals of non-financial assets). An institution with a positive balance in the capital account is a lender while that with a negative balance is a borrower.

- The financial account shows the type of financial instruments in which lending and borrowing are carried out among transactors in the economy. The net lending from the capital account should equal net financing from the financial account.

5. *What are these financial instruments in which lending/borrowings are carried out?*

Lending and borrowing in the financial account are undertaken using the following instruments, which is based on the 2008 System of National Accounts (SNA) classification:

- Monetary gold and Special Drawing Rights (SDR);
- Currency and deposits;
- Debt securities;
- Financial derivatives and employee stock options;
- Loans;
- Equity and investment fund shares;
- Insurance, pension and standardized guarantee schemes;
- Other accounts receivable/payable.

6. *What are the uses of the FOF?*

- The FOF serves as a basis for the analysis of the link between saving, capital accumulation, and financial flows for the whole economy and for each of the institutional sectors.

- As an interrelated and internally consistent framework, it is useful for identifying and reconciling deficiencies and inconsistencies in data inputs.

- It serves as an input to financial programming exercises.

- It provides users the opportunity to examine the linkages between the financial sector activities and that of the real economy.

- It also facilitates study of the saving-investment process, by tracing the channels by which saving reaches the borrowers, after passing through various financial institutions and assets.

7. *What are its data sources?*

The compilation of FOF covers a broad range of data inputs which are as follows:

- Macro-aggregates from the Philippine SNA and the Philippine Balance of Payments (BOP);

- Annual Audited Financial Reports of the NG, LGUs, Government–Owned and -Controlled Corporations (GOCCs), SSAs (i.e., Social Security System (SSS), Government Service Insurance System (GSIS) and Philippine Health Insurance Corporation (Philhealth)) and Government Financial Institutions (GFIs)[1] prepared by the Commission on Audit (COA); and the financial report of the CB-BOL;

- Detailed income statement (IS) and balance sheet (BS) of the following institutions: (i) BSP; (ii) commercial banks, thrift banks, rural banks and other deposit taking institutions (e.g., NSSLAs and NBQBs) supervised by the BSP; (iii) private non-financial corporations; (iv) other financial corporations supervised by the BSP and SEC; (v) insurance and pre-need companies supervised by the Insurance Commission (IC). Furthermore, the Business World's Top 1000 Corporations publication also serve as supplementary data sources for private non-financial corporations;

- Budget of Expenditures and Sources of Financing from the Department of Budget and Management, Bloomberg, Philippine Stock Exchange, Annual Survey of Philippine Business and Industry (ASPBI) and Census of Philippine Business and Industry (CPBI) from the Philippine Statistics Authority (PSA); and

- Family Income and Expenditure Surveys (FIES), Financial Social Accounting Matrix (FSAM), Construction Statistics from Approved Building permits and other data from the National Accounts, counterparty data sources, as well as other structural and growth indicators.

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[1] Home Development Mutual Fund (HDMF), National Home Mortgage and Finance Corporation (NHMFC), Local Water Utilities Administration (LWUA), National Electrification Administration (NEA), Philippine Sugar Corporation (PhilSuCor), and Social Housing Finance Corp. (SHFC).